



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 22, 1998

H.R. 3849

Internet Tax Freedom Act

As ordered reported by the House Committee on Commerce on May 14, 1998

CBO estimates that enacting H.R. 3849 would result in new discretionary spending of \$1 million to \$2 million over the 1999-2003 period, assuming appropriation of the necessary amounts. H.R. 3849 contains no private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995, but it does contain an intergovernmental mandate on state and local governments, as described in a separate mandates statement.

H.R. 3849 would impose a three-year moratorium on certain state and local taxation of online services and electronic commerce. Electronic commerce would be defined by the bill as the sale, lease, license, offer or delivery of goods or services over the Internet. Section 3 would amend the Communications Act of 1934 to prohibit the Federal Communications Commission (FCC) from collecting fees from providers of Internet access or online services to offset the cost of the FCC's regulatory program. Thus far, the FCC has not imposed regulatory fees on Internet service providers; therefore, we estimate this provision would have no budgetary impact.

Section 4 would require the Department of Commerce to prepare a report, within 18 months following enactment of the bill, regarding barriers to electronic commerce in foreign markets. Based on information from the Department of Commerce, CBO estimates this work would cost less than \$300,000, assuming appropriation of the necessary funds. Section 6 would establish an Advisory Commission on Electronic Commerce to examine issues related to the taxation of electronic commerce. The commission would consist of representatives of federal, state and local governments, citizens and business. The bill would authorize the commission to have reasonable access to information, resources, and space to conduct meetings from the Departments of Commerce and the Treasury. CBO estimates the commission's expenses would be less than \$300,000 annually because no staff or contractual support would be authorized by the bill.

H.R. 3849 would authorize the commission to accept and use gifts and donations to assist in its work. Donations of money are recorded in the budget as governmental receipts (revenues) and the use of any such amounts under the bill would be direct spending. Because the bill

could affect receipts and direct spending, pay-as-you-go procedures would apply. CBO expects that any such effects would be negligible.

The CBO staff contact for this estimate is Kim Cawley. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.